

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2093

April 2, 2009

SUMMARY OF BILL: Re-establishes the Tennessee Racing Commission. Requires the Governor to appoint, with the consent of the General Assembly, a seven-member commission. Authorizes the Commission to employ personnel essential to the operation of the Commission. Requires the meetings of the Commission to be open to the public. Requires the Commission to keep detailed records of meetings, business, collections, and disbursements and to prepare an annual report at the termination of racing season. Requires all license fees collected by the Commission to be subject to audit by the Comptroller of the Treasury and that all monies, including any civil penalties, collected be deposited into the General Fund. Requires the Commission to prepare an annual budget. Requires any monies collected through wagers be dispersed to various local governments and the racing development fund. Authorizes the Commission to issue subpoenas and summon witnesses before meetings or hearings, administer oaths to witnesses, and impose civil penalties up to \$10,000 for violation of statute or rule. Authorizes the commission to hold disciplinary and appeals hearings.

ESTIMATED FISCAL IMPACT:

**Increase State Revenue – Exceeds \$450,000/Recurring/
Tennessee Racing Commission
Exceeds \$100,000/Recurring/General
Fund**

**Increase State Expenditures - \$6,800/One-Time/Tennessee
Racing Commission
\$143,000/Recurring/Tennessee
Racing Commission**

**Increase Local Revenue – Less than \$100,000/FY09-10
Exceeds \$100,000/FY10-11 and
Subsequent Years**

Increase Local Expenditures – Not Significant

Assumptions:

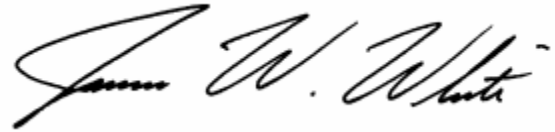
- License fees are established in Tenn. Code Ann. §4-36-304. Racing facility application fees and daily track licensing fees shall be paid into the General Fund. Currently Tenn. Code Ann. §4-36-105(a) provides that these fees be deposited into the Racing Development Fund.
- License fees for associations who have not held a race in the past are set at \$10,000 for the application fee plus \$25,000 for the investigation fee (the balance, if any, to be returned to the association) plus \$1,000 per racing event.
- Ten new registrants that will hold 10 events per year would pay \$45,000 in registration fees. [\$10,000 application fee + \$25,000 investigation fee + \$10,000 event fees (\$1,000 x 10 events)].
- Total increase in state revenue for 10 new registrants is estimate to be \$450,000 (\$45,000 x 10).
- Revenue collected from the daily wagers will be allocated to local government, the General Fund, and to the Racing Development Fund. One-half of one percent of the total wagers will be paid to the Department of Revenue, up to two percent of the total wagers will be paid to the Department of Commerce and Insurance to be used for the Racing Commission, and 17 percent of all the wagers will be retained by the racing association and be subject to privilege taxes and the payout of purses. The tax revenue will be deposited into the General Fund.
- Revenues from the breakage and unclaimed tickets will be allocated to certain zoos owned, operated, or leased by a municipal or county government and to the Racing Development Fund. Ten percent of the total wagers will be considered the revenue from breakage. The racing association will retain 33 percent of the breakage revenue; 33 percent will be remitted to the Racing Development Fund; and 34 percent will be remitted to the Department of Commerce and Insurance and then paid out, in equal amounts, to the zoological institutes in the state.
- Any outstanding wagering tickets will be held by the racing association in an interest bearing account. After one year all funds will be paid out of the account. The racing association will retain 33 percent; 33 percent will be remitted to the Racing Development Fund; and the remaining 34 percent will be paid to the Department and then paid out, in equal amounts, to the zoological institutes in the state.
- The revenue generated from the daily wagers, the breakage and unclaimed ticket is estimated to exceed \$100,000 for both state and local government.
- The Department of Commerce and Insurance will employ an executive secretary to serve at the will of the Commission. One-time increase in state expenditures is estimated to equal \$6,800 (\$2,000 office landscaping + \$2,000 computer system programming + \$2,800 computer costs).
- Recurring increase in state expenditures are estimated to equal \$114,794 (\$69,100 salary + \$23,494 benefits + \$11,200 administrative

cost allocation + \$2,000 office lease + \$8,000 travel + \$1,000 communication and supplies).

- The Commission will meet monthly. Travel and per diem expenses for each meeting are estimated at \$2,348.08 (\$181 per diem + \$154.44 mileage x 7 members). Recurring increase in state expenditures for 12 board meetings is estimated to be \$28,176.96 (\$2,348.08 x 12).
- Total recurring increase in state expenditures is estimated to be \$142,970.96 (\$114,794 executive secretary + \$28,176.96 Commission meetings).
- A municipality will approve racing by referendum in the first year and a racing facility will be built and become operational in the second year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible, and "W." in the middle.

James W. White, Executive Director

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